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Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 L-03 H-01 PA-01 PRS-01
/094 W
----------087683 071553Z /43
R 071430Z JUL 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9626
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION USBERLIN
USMISSION NATO
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART

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USEEC, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A
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TAGS: ECON, EFIN, ELAB, GW
SUBJECT: CONCERTED ACTION MEETING BOYCOTTED BY LABOR

REF: BONN 11125

1. ONE OF THE REGULARLY-SCHEDULED MEETINGS BETWEEN
GOVERNMENT, BUSINESS AND LABOR LABELED "CONCERTED

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ACTION", TOOK PLACE JULY 5 MINUS THE PARTICIPATION OF
THE UNION REPRESENTATIVES. CITING IRRITATION AT THE
ACTION OF THE FEDERATION OF EMPLOYERS' ASSOCIATIONS
TO CHALLENGE THE CONSTITUTIONALITY OF THE CODETERMINATION
LEGISLATION IN THE COURTS, (SEPTEL) THE TRADE UNION
REPRESENTATIVES BOYCOTTED THE MEETING FOR THE FIRST TIME
SINCE THESE SEMI-ANNUAL GET-TOGETHERS BEGAN SOME TEN
YEARS AGO. FURTHERMORE, SPD LABOR MINISTER EHRENBERG
SAID HE WAS NOT ATTENDING AS AN EXPRESSION OF
SOLIDARITY WITH THE UNION POSITION. CHANCELLOR SCHMIDT
CRITICISED THE EMPLOYERS FOR GOING TO COURT AND SAID THAT HE COULD
UNDERSTAND THE POSITION OF THE UNIONS IN THIS IMPORTANT
QUESTION. HE CALLED UPON THE EMPLOYERS' GROUP TO CLARIFY
THE REAL POLITICAL PURPOSE OF THEIR STEP.

2. IN ANY CASE, THE CONCERTED ACTION MEETING PRODUCED
NO IMPORTANT ECONOMIC RESULTS. WHEREAS FORMERLY THE
GOVERNMENT UNDER THE LEADERSHIP OF THE ECONOMICS MINISTER
USUALLY PRESENTED SOME SORT OF SEMI-DETAILED FORECAST
AND ORIENTATION DATA WITH THE ACCENT ON THE NEED FOR
WAGE MODERATION, SUCH WAS NOT THE CASE THIS YEAR. THERE
WAS A SHORT, BLAND PAPER LAYING OUT HISTORICAL DATA ON
PAST MACRO-ECONOMIC PERFORMANCE AND OBSERVING THAT THE
RECOVERY HAS SLOWED. THE COMMENTS OF PARTICIPANTS OUT-
SIDE THE CONTEXT OF THE PAPER WERE SOMEWHAT DOWNBEAT.
ECONOMICS MINISTER FRIDERICHS STATED, HOWEVER, THAT
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4.5 PERCENT REAL GNP GROWTH IS ACHIEVABLE, BUT THAT
THIS WOULD STILL NOT BE SUFFICIENT TO REDUCE UNEMPLOY-
MENT. CITED AS PARTICULAR PROBLEMS WERE THE PREVAILING
UNCERTAINTY WHICH HAS AFFECTED THE INVESTMENT CLIMATE
AND A QUESTIONABLE EXPORT OUTLOOK. ON THE OTHER HAND,
HE CITED LOW INTEREST RATES AS A POSITIVE FACTOR.
ECONOMICS MINISTRY OFFICIALS SCHLECHT AND TIETMEYER
ARE REPORTED TO HAVE SAID THAT SO FAR THIS YEAR THERE
HAS BEEN NO ECONOMIC "COLLAPSE", BUT THAT NEVERTHELESS
FUTURE ECONOMIC DEVELOPMENTS ARE MARKED BY NUMEROUS
UNCERTAINTIES. THE CHAIRMAN OF THE GERMAN COUNCIL OF
ECONOMIC ADVISORS WAS SLIGHTLY MORE PESSIMISTIC THAN
MINISTER FRIDERICHS IN STATING THAT REAL GROWTH OF NO
MORE THAN 4 PERCENT SHOULD BE EXPECTED THIS YEAR WITH
NO IMPROVEMENT IN THE LABOR MARKET TO BE ANTICIPATED.
HE STRESSED THE NECESSITY OF INCREASED PRIVATE INVEST-
MENT TO CREATE NEW JOBS AND THE NEED TO IMPROVE DEPRECIA-
TION ALLOWANCES FOR BUSINESS.

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3. INFORMED ECONONOMICS MINISTRY SOURCES TELL US THAT
DESPITE THE ASSERTION BY DGB PRESIDENT HEINZ VETTER
THAT THE LABOR BOYCOTT IS NOT TO BE CONSIDERED AS A
MOVE AGAINST THE CONCERTED ACTION PER SE, THERE REMAINS
THE IMPRESSION THAT THIS INDEED IS PRECISELY WHAT LIES
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BEHIND HIS STRATEGY. THEY SAY THAT THE CODETERMINATION
ISSUE WAS JUST A STRAW MAN, AND WAS SEIZED UPON AS
PRETEXT FOR THE UNION BOYCOTT. IT WAS OPINED THAT

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THE UNION LEADERSHIP FELT THE NECESSITY TO DEMONSTRATE FOR THE SAKE OF THE RANK AND FILE THAT THEY WERE NOT GETTING TOO COZY WITH BUSINESS AND GOVERNMENT, A SITUATION THEY FELT WAS SYMBOLIZED BY THE CONCERTED ACTION.

5. COMMENT -- THERE HAS BEEN SOME RANK AND FILE CRITICISM OF UNION PARTICIPATION IN CONCERTED ACTION ON GROUNDS THAT PARTICIPATION IN THE MEETINGS LIMITS THE UNIONS' FREEDOM BY SETTING INFORMAL WAGE GUIDELINES. VETTER AND THE LEADERSHIP OF THE MAJOR DGB UNIONS, HOWEVER, HAVE CONSISTANTLY DEFENDED THEIR PARTICIPATION IN CONCERTED ACTION, CLAIMING THAT THROUGH THEIR PARTICIPATION THEY ARE ABLE TO FURTHER UNION INTERESTS BY INFLUENCING GOVERNMENT POLICY. ALTHOUGH HE MAY HAVE REAPED COLLATERAL BENEFITS BY BOYCOTTING THE MEETING, VETTER'S ASSERTIONS THAT IT WAS THE EMPLOYERS' CHALLENGE OF THE CODETERMINATION LAW (SEPTEL) THAT FORCED THE UNIONS' ACTIONS SHOULD NOT BE DISREGARDED.

THERE IS SOME SPECULATION THAT LABOR MINISTER EHRENBERG'S (SPD) BOYCOTT OF THE CONCERTED ACTION, WHICH WAS HOSTED BY ECONOMIC MINISTER FRIDERICHS (FDP), INDICATES RENEWED DIFFICULTIES WITHIN THE SPD/FDP COALITION. HOWEVER, THE LABOR MINISTER DOES NOT ALWAYS ATTEND THESE MEETINGS IN ANY CASE. ON THIS OCCASION, AS ON MANY PREVIOUS OCCASIONS, THE LABOR MINISTRY WAS REPRESENTED AT THE STATE SECRETARY LEVEL. THE ONLY DIFFERENCE THIS TIME WAS THAT THE LABOR MINISTER ANNOUNCED BEFOREHAND HIS NON-APPEARANCE AND LINKED IT
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TO THE DGB BOYCOTT, GAINING THEREBY, NO DOUBT, POINTS IN THEIR CAMP AT NO PARTICULAR COST.

THIS DOES NOT NECESSARILY SPELL THE DEATHKNELL FOR THE CONCERTED ACTION MEETINGS SINCE THEY ARE REQUIRED BY THE GROWTH AND STABILITY LAW OF 1967. IT DOES EMPHASIZE, THOUGH, THE LACK OF ENTHUSIASM ON THE PART OF LABOR FOR SUCH CONSULTATIONS AND THE VERY HEAVILY POLITICIZED NATURE OF THIS YEAR'S SESSION WHICH WAS SHORT ON ECONOMIC CONTENT AND SIGNIFICANCE DESPITE THE FACT THAT THE BUSINESS CYCLE IS AT A PARTICULARLY CRITICAL POINT IN ITS DEVELOPMENT (SEE REFTEL).
STOESSEL

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